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**THESIS**

**THE FREE TRADE AREA OF THE AMERICAS:  
CAN REGIONAL ECONOMIC INTEGRATION LEAD TO  
GREATER COOPERATION ON SECURITY?**

by

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December 2002

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INTEGRATION LEAD TO GREATER COOPERATION ON SECURITY?**

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## **ABSTRACT**

The purpose of this thesis is to assess U.S. policies favoring the passing and implementing the Free Trade Area of the Americas (FTAA) and its impact on cooperative security in the Western Hemisphere. Similar to the 1990s, when the U.S. government debated the pros and cons of the NAFTA, the United States now faces a debate over passage and implementation of the FTAA.

With many U.S. and Latin American citizens' focus on economic domestic issues, FTAA talks have been widely contested among non-governmental organizations, governmental organizations, labor and social groups, and the legislative and executive branches of the United States and Latin American governments.

This thesis argues that economic policies can influence security policies for economically integrated countries and lead to greater regional cooperation on security. The increasing level of transnational threats, pressure from new actors in favor of establishing stability, and the weakening state role stemming from the free market environment and democratic reform encourages a spillover effect in establishing more coordinated security strategies for the threats associated with economic integration. Therefore, economic integration can lead to lead to greater cooperation on security and I argue that the United States and Latin America should pass and implement the FTAA as one means to improve collective security.

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## I. INTRODUCTION

The purpose of this thesis is to assess U.S. policies favoring the passage and implementation of the Free Trade of the Americas (FTAA) and its impact on cooperative security in the Western Hemisphere. An example of this type of impact on cooperative security can be seen with the fifteen European countries that make up the European Union. These countries have entered into a new era of economic adjustment, integration, and cooperation. Additionally, with the passage of Mercosur in 1991, Argentina, Uruguay, Paraguay, and Brazil have also established their own free trade zone, and lowered barriers to the free flow of goods among them and have cooperated greater on security issues.

During the mid-20<sup>th</sup> century, Latin American countries pursued protective, mercantilist economic policies for one another. During the last 25 years, trade liberalization and economic integration have helped these countries increase trade and investment abroad. For example, Mercosur countries have increased their net foreign direct investment (FDI) by more than 400% since its passage in 1991.<sup>1</sup> These states also have improved their political relationships. Political theorist Augusto Varas argues that these countries have laid aside age-old rivalries and mutual suspicions in favor of mutual economic and political cooperation.<sup>2</sup> The question I analyze is whether there is any spillover effect in other areas, such as cooperative

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<sup>1</sup> Patrice M. Franko, Toward a New Security Architecture in the Americas: The Strategic Implications of the FTAA (Washington, DC: Center for Strategic and International Studies, 2000), 17.

<sup>2</sup> Augusto Varas, "La pos-guerra fria, la seguridad hemisferica y la defensa nacional," in Augusto Varas and Cruz Johnson, eds., Percepciones de Amenaza y Politica de Defensa en America Latina (Santiago: FLASCO, 1993), 1-69.

security. Specifically, can the Free Trade Area of the Americas (FTAA) lead to enhanced security cooperation for the United States and Latin American for the containment of the transnational threats of terrorism, drug interdiction, illegal migration, and domestic crime?

#### **A. DEFINING THE PROBLEM**

Similarly to the 1990s, when the U.S. government debated the pros and cons of participating in NAFTA, the United States now faces a debate over passage and implementation of the FTAA. The FTAA is a proposed free trade area that would involve nearly 800 million people across 34 democratic countries in the Western Hemisphere. All countries would be represented except Cuba, which still maintains a socialist government. If implemented, this trade agreement could lead to more choices of goods and inputs, a more competitive business environment, lower prices, and possibly greater cooperation on security and defense issues throughout the Western Hemisphere. Negotiations for the FTAA are still taking place. Canada, Argentina, Ecuador, Brazil, and the United States lead the negotiations. These five countries rotate the chair every 18 months. The paired chairmanship of the United States and Brazil in the final scheduled stage set to start in January 2003 is designed to address the divergent political, economic, and social priorities of the two most influential countries in the Western Hemisphere.<sup>3</sup>

Due to recent economic and political events in the Western Hemisphere, controversy over the FTAA has increased

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<sup>3</sup> Ambassador Peter F. Allgeir, Associate U.S. Trade Representative for the Western Hemisphere, "The Importance of the Free Trade Area of the Americas (FTAA) to United States Foreign Policy," statement before the Subcommittee on the Western Hemisphere of the Committee on International Relations House of Representatives, 12 July 2001.



dramatically in recent months. With the focus of many U.S. and Latin American citizens on domestic issues (the economy, inflation, unemployment, etc.), FTAA talks have been widely contested among non-governmental organizations (NGOs), governmental organizations, labor and social groups, and the legislative and executive branches of the United States and Latin American governments.

Many U.S. and Latin American citizens are fearful of the FTAA and the effects of trade liberalization. Many small business owners, labor unions, and social groups feel that the United States and the Latin American countries should focus on their respective domestic economic and social problems before agreeing to the FTAA, which could cause dramatic rises in inflation, drops in real wages, and increased unemployment in the United States and Latin America.<sup>4</sup> In addition, many Latin Americans farmers and trade unions are fearful of a U.S.-backed hemispheric free trade agreement that would only promote American priorities and goals in the region and damage their living standards and way of life.<sup>5</sup> They argue that bilateral free trade agreements with the United States is the only viable option available to ensure their country's priorities and goals are met.

Supporters (multinational corporations, foreign investors, industrial leaders, etc.) of the FTAA highlight the positive economic results (increased foreign direct investment, gross domestic product, number of exports, etc.) stemming from free trade areas, such as the European

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<sup>4</sup> Richard E. Feinberg, Summitry in the Americas: A Progress Report (Washington DC: Institute for International Economics, 1997), 131-138.

<sup>5</sup> Anthony Faiola, "Pressing for a Trade Pact," Washington Post, 19 November 2002, E01.

Union and Mercosur.<sup>6</sup> These corporations, eager to expand in Latin America, envision even greater economic growth and interdependence with the FTAA, which could lead to a spillover effect in other political objectives, such as improved regional security.

## **B. POLICY PROPOSAL**

The mutual economic gains brought by the respective free trade agreements of the European Union and Mercosur are centripetal forces pulling states to greater cooperation, not only economically and politically, but also in security. With economic integration and interdependence stemming from these free trade areas, greater cooperation on confronting and combating transnational issues such as drug interdiction, illegal migration, terrorism, domestic crime, and social violence have led to greater collective security. Through the Maastricht Treaty and Latin American permanent security commissions on drug control and antiterrorist activities, countries in the European Union and Mercosur have established joint and coordinated security strategies deal with the increased transnational threats associated with trade liberalization.<sup>7</sup>

This thesis argues that economic policies can influence security policies for economically integrated countries and lead to greater cooperation on regional security because of spillover effects. Spillover occurs when a joint action in one area creates new needs,

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<sup>6</sup> Ibid., E01.

<sup>7</sup> Dick Leonard, Guide to the European Community: The Original and Definitive Guide to All Aspects of the European Community (London: Bath Press, 1992), 216; and David Pion-Berlin, "Will Soldiers Follow? Economic Integration and Regional Security in the Southern Cone," Journal of Inter-American Studies and World Affairs 42, no. 1, 54.

tensions, problems, and issues that increase the pressure to take joint action in other areas.<sup>8</sup>

The increasing level of transnational threats, pressure from new actors for stability, and the weakening state role stemming from the free market environment and democratic reform leads to a policy spillover in establishing more coordinated and joint strategies for the issues of drug trafficking, illegal migration, and terrorism associated with economic integration. However, for spillover to occur in cooperative security, three conditions must be present. First, there must be no major conflict and/or dispute among the countries involved in the free trade area. Second, democratic governments must be in place, and no authoritarian regimes among the trading partners. Third, there must be a strong desire by the regional hegemonic power(s) for greater cooperation on security. Absent any of these conditions, spillover will not occur.

Due to integration, countries can no longer handle these threats in isolation. Multilateral solutions are needed. As seen through the European Union and in Mercosur, these member states are working more closely together to handle these threats with joint and coordinated foreign and security policies. Thus, this spillover effect leads to greater cooperation among economically integrated member states and can lead to greater regional security. With the FTAA, economic integration can have a spillover effect in political issues and lead to greater cooperation

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<sup>8</sup> John McCormick, *Understanding the European Union: A Concise Introduction* (New York: Palgrave, 1999), 12-20.

on security between the United States and Latin America in combating transnational threats.

### **C. METHODOLOGY**

This thesis will focus between the years of 1950 to the present-day. With the rise of economic integration agreements, free-market oriented reforms and democratization sweeping the world during this timeframe, this thesis will show that regional economic integration has led to a spillover effect in other foreign policy issues, such as security. Chapter II examines the theoretical expectations of spillover and how economic integration can enhance regional security cooperation. It examines various explanations of regional security cooperation as a result of economic integration. Chapter III describes how economic integration in the European Union and Mercosur has led to greater regional security cooperation. Chapter IV evaluates Latin American reactions toward economic integration with the FTAA and regional security cooperation. Special emphasis is placed on Brazil's view of the FTAA. Chapter V analyzes the positions of domestic U.S. groups supportive and opposed to the FTAA. Chapter VI summarizes the findings of the thesis and explains why the United States should pass and implement the FTAA.

## II. IDEAS OF ECONOMIC INTEGRATION

### A. THEORETICAL EXPECTATIONS

With the passage of Mercosur in 1991, Argentina, Uruguay, Paraguay, Brazil, Chile, and Bolivia entered a new era of economic adjustment, cooperation, and integration. Similar results can be seen in Europe with the increasing economic and political integration of the 15 European Union states.

Some political scientists believe that economic integration and cooperation on security are unrelated conditions. Observers such as David Pion-Berlin, Monica Hirst, and Maria da Conceicao feel that improvements in regional confidence within multilateral institutions dealing with security concerns are independent of progress towards economic integration and a free trade agreement. These political scientists feel that through improved diplomacy and political ties only, greater cooperation was seen in other political areas, such as security.<sup>9</sup>

Other political scientists, such as Augusto Varas and Jorge I. Dominguez believe that free trade agreements and economic integration can lead to greater cooperation on security. Through the effects of spillover, economic integration has lead to greater regional security in free trade areas such as the European Union and Mercosur. As mentioned earlier, spillover occurs when a joint action in one area creates new needs, tensions, problems, and issues

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<sup>9</sup> Proponents of this argument include Pion-Berlin, "Will Soldiers Follow?"; E. Solingen, Industrial Policy, Technology, and International Bargaining: Designing Nuclear Industries in Argentina and Brazil (Stanford: Stanford University Press, 1996); and Monica Hirst and Maria da Conceicao Tavares, Argentina-Brasil: el largo camino de la integracion (Buenos Aires: Editorial Legasa, 1988).

that increase the pressure to take joint action in other areas. The factors of the increased level of transnational threats, pressure from new actors for stability, and the weakening state role resulting from the free market environment and democratic reform leads to the process of spillover. However, for spillover to occur in security relations, three conditions must be met.

First, there must be no major conflict/dispute among the countries involved in the free trade area. Antagonistic feelings will hamper spillover effects in political issues, such as security. Second, democratic governments must be in place by all member-states. Authoritarian regimes will not fully support the integration process and spillover will not occur. Third, there must be a strong desire by the perceived hegemonic power(s) in the trading area for greater cooperation on security. A country or countries cannot just desire economic benefits from trade liberalization. It must desire cooperation on other policy issues, such as security. All of these conditions must be present for spillover to occur in greater cooperation on security policies.

As the European Union and Mercosur state markets have become more intertwined and interdependent, these three conditions are present and have led to an increase in joint and coordinated security strategies for the containment of the issues of drug trafficking, illegal migration, and terrorism associated with trade liberalization. Through

these conditions, economic integration can lead to greater cooperative security.<sup>10</sup>

## **B. WAYS OF ECONOMIC INTEGRATION**

There are three basic ways that economic integration can encourage security cooperation. First, because increasing economic integration can increase transnational threats, these security problems can only be solved through multilateral action. Countries do not have the resources necessary to effectively combat the growing number of drug traffickers, illegal aliens, and terrorists unilaterally, anymore. Multilateral solutions are needed.

Second, economic integration and free trade can empower new actors (e.g., foreign investors, multinational corporations, industrial leaders, business elites, etc.) who place demands on the state for multilateral solutions to combat transnational threats. To ensure their investment is not wasted due to social violence, these new actors force state leaders to put stability and security at the top of national priorities or face the possibility of reduced foreign investment in their country.

Third, due to the change in economic philosophy, the state's role is weakened. State-centered policies have been abandoned and new policies have been adopted that favor privatization and the attraction of foreign and domestic investors. This has left inadequate state resources, such as equipment, technology, and personnel, to combat the transnational threats associated with trade

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<sup>10</sup> Proponents of this argument include Augusto Varas, "La pos-guerra fria, la seguridad hemisferica y la defensa nacional," 1-69 and Jorge I. Domínguez, International Security and Democracy: Latin America and the Caribbean in the Post-Cold War Era (Pittsburgh: Pittsburgh University Press, 1998), 3-28.

liberalization. We will first examine the theory of the increased levels of transnational threats.

### **C. ECONOMIC INTEGRATION AND TRANSNATIONAL THREATS**

With economic integration and free trade, there is more transparency among states. With the free flow of goods, capital, resources, and people, states' economic policies are tied more closely together with their fellow trading bloc partners in the free trade area. As markets become more integrated, causing individual governments to lose control of their own economic policies, the fortunes of a state become increasingly exposed to the volatility of markets and events beyond its geographical borders.<sup>11</sup> This forces state leaders to work with other state leaders to come up with multilateral solutions to combat the increasing level of transnational threats associated with free trade. Economic integration forces countries to cooperate greater on security to ensure the peace and stability needed for a free trade area to thrive. Augusto Varas has postulated that free trade generates the inter-governmental momentum needed to enhance greater cooperation on security issues among these countries. He argues:

As markets become more integrated, causing governments to lose control over their own economic destinies, the fortunes of a state become increasingly tied to trading and investment partners beyond its borders. To ensure its continued development, a state must not only learn to foster greater transparency in its economic relations with its neighbors, but its military must do as well.<sup>12</sup>

Due to fact that these countries' economic policies have become so intertwined and their budgets reduced, the

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<sup>11</sup> Pion-Berlin, "Will Soldiers Follow?," 47.

<sup>12</sup> Varas, "La pos-guerra fria," 1-69.



countries' militaries must shift in the same direction and behave in ways that support a peaceful coexistence with each other and to combat transnational threats jointly.

Robert Devlin, Antoni Estevadeordal, and Luis Jorge Garay have observed, "countries have used regional economic integration to mutually cement their new democratic systems and to create interdependencies which reduce interest in pursuing historical rivalries and promote regional cooperation in areas other than trade."<sup>13</sup> Economist Jeffrey J. Schott states that economic integration and improved trade relations "can act as a magnet for attracting support among our hemispheric neighbors for other important U.S. political and foreign policy goals, including cooperation on drug interdiction, improving environmental and labor conditions, and reinforcing democratic reforms."<sup>14</sup>

This is seen in the European Union where member states have established common measures on visas, immigration, extradition and political asylum to combat the growing number of terrorists crossing national borders and affecting the stability in the region. With regional economic integration and free trade areas erasing geographical borders, state leaders have been forced to improve their intergovernmental relationships with each other and cooperate more closely to form broader partnerships in combating the region's transnational issues

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<sup>13</sup> Rober Devlin, Antoni Estevadeordal, and Luis Jorge Garay, "The FTAA: Some Longer Term Issues" paper prepared for the seminar FTAA and MERCOSUR: The Brazilian Economy and Subregional and Hemispheric Integration Brasilia, 5-6 October 1998.

<sup>14</sup> Jeffrey J. Schott, "The Free Trade Area of the Americas: US Interests and Objectives," statement before the Subcommittee on Trade, House Committee on Ways and Means, 22 July 1997, 4.

that cross national boundaries that adversely affect the economic well-being of states.

#### **D. ECONOMIC INTEGRATION AND THE ROLE OF NEW ACTORS**

A given state will support a regional proposal that satisfies its own national goals and policies better, or at a lower cost than an alternative unilateral or bilateral proposal, through a simple calculation of a cost/benefit analysis. This cost/benefit analysis includes all factors: political, economic, and social. It also is influenced by external and internal actors.<sup>15</sup> Although external and internal actors may not directly participate in the regional economic integration negotiations, they indirectly have an impact on the pattern of regional cooperation by affecting the cost/benefit analysis of each state.<sup>16</sup> With regional economic integration and free trade areas, these free-market based actors and institutions have an instrument of power - the ability to exclude. Foreign investors and multilateral corporations will not invest resources and capital into a country if they perceive instability in the state. They will exclude that country from foreign investment and reaping economic benefits from free trade.

These actors are likely to have an impact on the pattern of regional cooperation by directly affecting the total costs and benefits of cooperation and by indirectly affecting the perceived costs for each member state. Examples of these costs include stability within the region, access to crucial resources, and preservation of investment opportunities. Through these factors, these

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<sup>15</sup> W. Andrew Axline, The Political Economy of Regional Cooperation (London: Pinter Publishers, 1994), 23.

<sup>16</sup> Ibid., 25.

actors can influence states' decision-making in political matters such as security.

As theorized by Patrice Franko, the possible threat of exclusion from the free market environment has introduced a new set of checks and balances in state decision and policymaking. Bad economics, poorly construed politics and state institutions, and a perceived lack of stability and security in a country can lead foreign investors and their investment from investing from their state into investing in another state.<sup>17</sup> This is a cost/benefit analysis that almost all foreign and domestic investors and businesses perform before investing capital and resources into a specific region or country. These external and internal actors (foreign investors, multinational corporations, business elites, industrial leaders, etc.) demand certain requirements from state leaders to ensure the protection of their investment. Some of these requirements include access to crucial resources and industries, basic rule of law, and economic and political security for its citizens.

States that fail to control these transnational issues can face enormous economic and social challenges<sup>18</sup>. Due to actors' perceptions, these states face the prospect of being excluded from the regional free-market economy. Thus, these new actors have forced state leaders to work more closely with each other and cooperate greater on regional security to come up with multilateral solutions to ensure the stability and security required for a free-market environment.

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<sup>17</sup> Franko, Toward a New Security Architecture, 20.

<sup>18</sup> Axline, The Political Economy of Regional Cooperation, 25.

#### **E. ECONOMIC INTEGRATION AND THE WEAKENING STATE ROLE**

Due to weak state institutions, growing pains as they move to the free-market environment, and a lack of a coherent government apparatus to handle the transnational issues associated with integration, a majority of developing states have less effective in dealing with the increasing domestic and international conflict arising from social violence and transnational threats, such as drug-trafficking, terrorism, and immigration.<sup>19</sup> Due to the focus on liberalization, some state resources have been diverted from security and defense expenditures to domestic and foreign business investments. For example, between the years of 1985 through 1995, the majority of Latin American countries transforming to a free-market economy, have seen the number of their military personnel stay the same or reduced. With the exceptions of Columbia, Ecuador, Mexico, and Venezuela, the numbers of the armed forces have been reduced or have remained relatively the same in Latin America despite the increase in population growth in most of these countries.<sup>20</sup> Franko argues that this is in response to economic integration where there is increasingly weak state presence and resources for former strategic, security, and defense sectors and more investment in the development of financing institutions (development banks and corporations, etc.).<sup>21</sup> This leads to countries slowly letting sovereignty slip away. States are no longer able to control threats within their borders. The only way to get a handle on combating these threats is through international cooperative arrangements.

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<sup>19</sup> Franko, Toward a New Security Architecture, 25.

<sup>20</sup> Ibid., 26.

<sup>21</sup> Ibid., 26.

Traditionally, the military had performed the major role in combating external and internal threats to the state. With the overall reduction in state outlays and military personnel and their inability to control growing transnational issues, many private organizations, businesses, and elites have banded together throughout the region to hire private security forces as bodyguards, building attendants, and neighborhood police forces. As the state has shrunk, the rise of private and legal and illegal power has created an environment where a select group of people have the majority of the political and social power and the respective state lacks the strong institutional framework to address these transnational threats.<sup>22</sup> This has forced state leaders to come up with multilateral solutions to combat transnational threats to ensure the stability and security needed for economic integration.

Security problems can no longer be solved in isolation. With economic integration, all countries are now interdependent with each other. To confront these threats, countries must develop new channels of interaction within their own governmental agencies and with those of their regional partners. As summarized by political scientist Georges Fauriol of the possibilities of the FTAA,

Some readers may be skeptical of the kinds of inter-American linkages argued here. Critics might question the logic of integrating the evolving South American defense considerations into an already complex FTAA process. The study argues that the achievement cannot be limited only to a simple set of trade negotiations...With the end of the Cold War, international security structures are now accompanied by an unequivocal

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<sup>22</sup> Ibid., 26.

call for the ideals of democratic governance. From the political and security suspicions of the past, acrimonious foreign policy clashes, and the occasionally anxious economic relations, a new spirit of partnership has emerged. The Western Hemisphere now entering the 21<sup>st</sup> century is truly changed-a testimony to the positive results of rebuilding relationships on the basis of cooperation and trust.<sup>23</sup>

Due to the increase of transnational threats, pressures from domestic and foreign actors, and the states' weakening roles through integration, countries are now working more frequently and closely together on issues such as immigration, social violence, and political asylum to ensure the peace and stability a free trade area needs to have to thrive. As a result, these factors of integration lead to the spillover process in establishing greater cooperative security among member states in a free trade area.

However, until all three conditions (no major conflict/dispute among the countries involved in the free trade area, democratic governments in place, and strong desire by the regional hegemonic powers for greater cooperative security) of spillover are met, economic integration alone will result in cooperative security. Without any one of these variables, spillover will not occur. Through this, economic integration can lead to greater cooperative security.

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<sup>23</sup> Georges A. Fauriol and William Perry, Thinking Strategically about 2005: The United States and South America (Washington, DC: CSIS Press, 2000), 20.

### III. REGIONAL CASE STUDIES

Theorists such as David Pion-Berlin, Maria da Conceicao Tavares, and E. Solingen have argued that national interests alone dictate security policies. With democratic reform, states used diplomacy rather than threat and saw more easily the potential advantages of cooperation over conflict.<sup>24</sup>

Other political scientists, such as Augusto Varas and Jorge I. Dominguez have emphasized economic integration can encourage greater interdependence and cooperation. As countries become more integrated, causing governments to lose control over their own economic destinies, the fortunes of the state become increasingly tied to its trading and investment partners. To continue to reap economic benefits, countries must learn to foster greater cooperation not only economically but in security as well.<sup>25</sup>

The factors of the increasing level of transnational threats, pressure from new actors for stability, and the weakening state role stemming from the free market environment and democratic reform leads to the process of spillover in enhanced regional security. However, as mentioned earlier, for spillover to occur, three conditions must be met; no major conflict/dispute among the members, democratic governments in place, and strong desire by the hegemonic power for greater cooperative security. With the absence of any of these conditions, spillover will not occur.

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<sup>24</sup> Pion-Berlin, "Will Soldiers Follow?," 45; E. Solingen, Industrial Policy; and Hirst and Tavares, Argentina-Brasil.

<sup>25</sup> Varas, "La pos-guerra fria, la seguridad hemisferica y la defensa nacional," 1-69 and Dominguez, International Security and Democracy, 3-28.

Two regional case studies, the European Union and Mercosur, illustrate this linkage between economic integration and enhanced security cooperation.

#### **A. THE ORIGINS OF THE EUROPEAN UNION**

The origins of the European Union can be traced back to the conclusion of World War II. Before being liberated by the Allies from the German government, the governments of three countries-the Netherlands, Belgium, and Luxembourg-decided in 1944 that their economic futures were inextricably intertwined and formed the Benelux Union.<sup>26</sup>

With the Benelux Union, other countries began to realize that their economic futures were also intertwined. Any action or event in one country would have a spillover effect in their country. In fact, in 1950, Jean Monet, a prominent French government economist, theorized that if France and West Germany could settle their differences over the iron and coal industries by a joint committee made up of officials from both countries, both would be able to regulate the war-making ability in each country. With this, both countries realized that their economic futures were intertwined. It was better to cooperate and reap greater economic benefits than to oppose each other and lose valuable resources and capital.

This theory eventually evolved into the Schuman Plan, named after French Foreign Minister Robert Schuman who worked closely with Monet and who proposed the plan to the French and West German governments. This plan called for the West German and French coal and steel industries placed under a single committee of West German and French

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<sup>26</sup> Leonard, Guide to the European Community, 3.



officials, which would supervise its policy and development. Schuman theorized that,

The pooling of coal and steel production should immediately provide for the setting up of common foundations for economic development as a first step in the federation of Europe, and will change the destinies of those regions which have long been devoted to the manufacture of munitions of war, of which they have been the most constant victims. The solidarity between the two countries established by joint production will show that a war between France and Germany becomes not only unthinkable but materially impossible. The setting up of this powerful productive unit, open to all countries willing to take part and bound immediately to provide all the member countries with the basic elements of industrial production on the same terms, will lay a foundation for their economic unification.<sup>27</sup>

Other European countries also began to see that their economic futures were also intertwined and began to look for ways for integration.

#### **B. THE TREATY OF ROME**

The Treaty of Rome, signed on 25 March 1957, became the backbone of European economic integration. The central feature of the treaty was the establishment of a common market among its member states, known as the European Economic Community (EEC).<sup>28</sup> This economic integration would spread to nine other European countries over the next four decades and would become the modern-day European Union, a major economic and political power in the international world.

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<sup>27</sup> John Van Oudenaren, Uniting Europe: European Integration and the Post-Cold War World (Boulder: Rowman and Littlefield Publishers, 2000), 29.

<sup>28</sup> Ibid., 34.

### **C. THE EFFECTS OF ECONOMIC INTEGRATION IN EUROPE**

With the emergence of the European Union's global economic power in the last 40 years, government observers raised questions about the possibility of a spillover effect into other areas, such as security policies. With economic integration and free trade, there are more borderless divisions between countries with the free flow of people, services, capital, and trade traveling from one country to another. Accompanying this free flow of trade are the associated transnational threats of drug trafficking, terrorism, and illegal migration. With free trade, the level of these transnational threats was becoming so high that individual countries did not have the resources necessary to combat and contain these issues in isolation anymore. To continue to reap economic benefits stemming from integration and free trade, countries realized that these threats could only be tackled multilaterally.<sup>29</sup>

Additionally, during this time-period, a majority of the European countries were replacing their authoritarian governments with a more liberal democratic system and shifting their economic policies from an isolationist and protectionist model to a more open, free-market environment. With this, the demand for foreign direct investment was increasing dramatically. These new actors (foreign investors, multinational corporations, business elites, etc.) were forcing state leaders to place stability and security at the top of their national priorities. With the transition to the free market and the diversion of state resources from security and defense matters to the

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<sup>29</sup> Ibid., 309.

attraction of FDI, states were forced to cooperate greater with each other to combat these threats to ensure not being excluded from the free trade environment.<sup>30</sup> To formally address these threats, a joint and coordinated security policy was needed. After years of heated political debate amongst the European nations, the Maastricht Treaty was signed in February 1992 and the European Union's joint foreign, security, and defense policies was established.

### **1. The Maastricht Treaty**

The Maastricht Treaty is based upon three pillars. The first pillar consists of the three existing organizations-the EC, ECSC, and Euratom-that was originally established by the Treaty of Rome. In the first pillar, the Member States agreed to transfer economic decision-making powers to the European Union Commission, the Council of Ministers, European Parliament (EP), and the European Court of Justice (ECJ). In addition, specific guidance and recommendations on selected issues were to come from the Economic and Monetary Union (EMU) and the European Central Bank (ECB).<sup>31</sup>

The second pillar, the Common Foreign and Security Policy (CFSP), is based upon the previous European Political Cooperation originally established in the early 1950s. The CFSP is based upon five very general objectives: safeguarding the common values and interests of the Union; strengthening its security; preserving its peace and strengthening international security in accordance with the principles of the United Nations charter; promoting

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<sup>30</sup> Neill Nugent, The Government and Politics of the European Union (North Carolina: University Press, 1999), 51.

<sup>31</sup> For a background on the First Pillar of the Maastricht Treaty, refer to McCormick, The European Union, 71-72.

international cooperation; and developing and consolidating democracy and the rule of law and respect for human rights and fundamental freedoms.<sup>32</sup> Decision-making in the second pillar is to be largely intergovernmental, but each member state is given co-equal right to make security recommendations and proposals to the Union. In addition, the EU members defined the objectives of the CFSP by establishing a "systematic cooperation" in the field of foreign policy and by adopting joint actions in areas of common interest. The Maastricht Treaty also stipulated that the CFSP "shall include all questions related to the security of the Union, including the eventual framing of a common defense policy, which might in time lead to a common defense."<sup>33</sup> However, this was still a vague objective viewed differently by every Member State. Eventually, in response to this vagueness, all members of the European Union signed the Treaty of Amsterdam in October 1997 to clarify specific defense and security issues.

## **2. The Treaty of Amsterdam**

This treaty specifically stated that the European Council was empowered to decide the progressive framing of a common defense policy, in which all member states would have to adopt "in accordance with their respective constitutional requirements."<sup>34</sup> By agreeing to this, all member states of the European Union agreed to participate as necessary in military actions relating to humanitarian and rescue tasks, peacekeeping, and crisis management or peacemaking operations.

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<sup>32</sup> For a background on the Second Pillar of the Maastricht Treaty, refer to Van Oudenaren, Uniting Europe, 55.

<sup>33</sup> Nugent, The Government and Politics, 67-69.

<sup>34</sup> Ibid., 68.

Additionally, to combat the ever-increasing transnational threats of drug trafficking, terrorism, and illegal migration associated with economic integration and free trade, member states realized that greater security cooperation was needed to confront these issues. Thus, the third pillar to the Maastricht Treaty was established. Due to the completion of the single market and abolition of control on the movement of goods, people, services and capital established by the first pillar, the third pillar established greater cooperation among the member states to confront transnational threats. Supporters of this pillar argued that international crime syndicates and drug traffickers had adjusted to the single market environment while their respective country's government had not. Crime syndicates, drug traffickers, and illegal aliens were crossing geographical borders and increasing the amount of social violence and instability in all countries of the European Union. At the same time, due to diminished state resources, governments had not adjusted to the free trade environment. Through extensive negotiations and compromises, the member states committed themselves to better cooperation and collaboration in combating these threats.<sup>35</sup> This included greater cooperation in the fields of justice and domestic affairs, including asylum policy, control of external borders and immigration from outside the European Union, and combating drug trafficking and addiction, and international crime. Member States also agreed to establish the European Police Office (Europol) to jointly share information, people, and resources among all countries to better confront and combat the transnational

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<sup>35</sup> McCormick, The European Union, 214-215.

threats associated with free trade and economic integration.<sup>36</sup>

With these three pillars of the Maastricht Treaty and the reforms made in the Amsterdam Treaty, the present-day European Union was established. Member states, realizing that economic integration and trade liberalization brought an increase of transnational threats, demands of new actors for stability, and weakened state's role, established avenues of greater transparency not only economically but in political issues as well. A spillover effect is seen in the fields of foreign, security, and defense policies. Through this case, we can see the effects of economic policy influencing security policy.

#### **D. SPILLOVER EFFECTS IN EUROPEAN UNION**

Economic integration leads to a spillover effect in security policies in the European Union. However, in order for this spillover to occur, the three conditions of no major dispute/conflict among the trading partners, democratic regimes in place, and strong desire by the hegemonic powers for greater cooperative security had to be met. They are. We will examine the condition of no major disputes among the members first.

All the countries in the European Union have no major conflict or dispute with their trading partners in the region. Issues such as border disputes, access to markets and resources, and distrust of neighboring states were all resolved prior to a country's inclusion into the Union.<sup>37</sup> There are minor disagreements on certain issues, such as

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<sup>36</sup> Leonard, Guide to the European Community, 216.

<sup>37</sup> McCormick, Understanding the European Union, 141-142.

agricultural and transport matters, but no one specific issue produces a major dispute among the members.

Second, all of the European countries have replaced their authoritarian governments with a more liberal democratic system. There are no authoritarian regimes in the European Union. For example, during the 1960s, Greece, Spain, and Portugal were all under authoritarian regimes and each applied for membership in the Union.<sup>38</sup> However, fearing and distrusting these governments, the members of the Union rejected their accession. With the overthrow of these regimes and the return of democracy in all three countries in the 1970s, all were accepted into the Union.<sup>39</sup>

The third condition of spillover is that the hegemonic powers in the trading area desire greater cooperation on security. France, Germany, and Great Britain, the perceived leaders in the Union, all desire greater cooperation on confronting transnational threats. For example, all three countries lead the initiative for the creation of the European Police Office (Europol) in 1995.<sup>40</sup> This organization's role is to gather, share, and distribute information to support the work of national police forces. The missions of Europol are to deal with drug-trafficking, illicit trafficking in radioactive and nuclear materials, illegal immigration, money laundering, and organized crime.<sup>41</sup> Additionally, France, Germany, and Great Britain has strongly supported Europol's missions by

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<sup>38</sup> Ibid., 72-73

<sup>39</sup> Ibid., 72-73.

<sup>40</sup> Leonard, Guide to European Community, 216-217.

<sup>41</sup> Ibid., 216-217.

providing it with valuable resources, capital, and personnel to help combat these threats.

Through this case, we can see how economic integration leads to greater cooperation on security in the European Union.

#### **E. INTRODUCTION TO MERCOSUR**

Though not to the extent of the level of economic integration as seen in the European Union, the second regional case study that illustrates the linkage between economic integration and greater cooperation on security is the trading bloc known as Mercado Comun del Sur, (Common Market of the South), better known as Mercosur. Through increased transnational threats, augmented demands of new actors and/or the decreased state's role and power to provide stability and security, integration has led to greater cooperation on security in the Southern Cone.

#### **F. THE ORIGINS OF ECONOMIC INTEGRATION IN SOUTH AMERICA**

The origins of economic integration in South American can be traced back to the early 1960s with the establishment of the Latin American Free Trade Association (LAFTA). However, several countries did not offer a variety of products to the open market and LAFTA did not come into reality. In 1980, another attempt for economic integration took place. Several South American countries started the Latin American Integration Association (ALADI) to integrate their economies. This attempt of integration also failed.<sup>42</sup>

It was not until 1986, when the two most powerful countries in the Southern Cone, Brazil and Argentina,

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<sup>42</sup> Lia Valls Pereira, "Toward the Common Market of the South: Mercosur's Origins, Evolution, and Challenges," in Riordan Roett, Ed., Mercosur: Regional Integration, World Markets (Boulder: Lynne Rienner Publishers, 1999), 7-23.



signed the Program for Integration and Economic Cooperation (PICE) that integration took place. This program was designed to plan, consolidate, and better streamline the industrial process of specific industries in both countries. An additional goal for PICE was to achieve balanced trade between both countries and to alleviate fears, on both sides, for possible economic losses.<sup>43</sup> Economic integration, albeit small and extremely slow, had begun to take root in the Southern Cone. The positive economic results stemming from PICE and the worldwide trend toward globalization led Brazil and Argentina into signing the Treaty on Integration, Cooperation, and Development in November 1988. This treaty expanded trade liberalization in both countries in all sectors and industries and called for the establishment of a common market within 10 years.

A short time later, after this agreement was ratified by both countries' congresses in 1989, President Jose Sarney of Brazil and Argentine President Carlos Saul Menem, signed the Treaty of Buenos Aires, which formally established the implementation of a common free market by 1995. Finally, in 1991, both these countries, as well as newly democratized Paraguay and Uruguay, signed the Treaty of Asuncion, and the Common Market of the South (Mercosur) was established.<sup>44</sup>

The change in economic policy from a protectionist and isolated stance to a free market, wide-ranging trade liberalization policy was due mainly to the cost/benefit analysis of free trade and the worldwide effects of globalization. Brazil and Argentina came to adopt liberal

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<sup>43</sup> Ibid., 9.

<sup>44</sup> Ibid., 9.

economic policy guidelines, assigning priority to the free market environment to better foster the most efficiency in their economies. Led by the Brazilian and Argentine governments, Mercosur was an economic and political initiative to better consolidate their economies as well as to respond to the worldwide trend towards regional economic integration.

#### **G. THE EFFECTS OF MERCOSUR**

In the last 15 years, as a result of Mercosur, the economies of the Southern Cone countries have become more intertwined and market-oriented. Mercosur countries have increased their overall trade with each other by 200 percent since its implementation in 1991.<sup>45</sup> The extent of privatization of former state-owned enterprises has been larger in these countries than in any other region of the world. This in turn has led to extensive foreign direct investment in the Southern Cone, mainly from the United States, Canada, and several European countries. In fact, during the last 7 years, FDI in Brazil has increased by nearly 400 percent. FDI into Argentina, Paraguay, and Uruguay also have increased but not nearly as much as in Brazil.<sup>46</sup> These new actors (foreign investors, multinational corporations, business elites, etc.) have forced state leaders to place stability and security at the top of their national priorities or face the possibility of reduced investment into their country. With their recent transition to democracy, liberalized trade, and the diversion of state resources from security and defense matters to the attraction of FDI, states were forced to

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<sup>45</sup> Franko, *Toward a New Security Architecture*, 15-16.

<sup>46</sup> Sidney Weintraub, *Development and Democracy in the Southern Cone: Imperatives for U.S. Policy in South America* (Washington, DC: Center for Strategic and International Studies Press, 2000), 14-18.

cooperate greater with each other to combat the ever-increasing level of transnational threats associated with free trade. In order to continue to reap economic benefits stemming from free trade, state leaders were forced to confront these ever-increasing threats multilaterally and cooperate greater to ensure the stability and security needed for this trade liberalization environment to thrive upon. The Mercosur countries signed accords with each other to create consultative mechanisms on drug control and a sub-commission to coordinate antiterrorist activities in the tri-border areas of Brazil, Argentina, and Paraguay.<sup>47</sup>

Through this integration, Latin American International Relations theorist Monica Hirst has theorized that Mercosur countries' militaries have become less antagonistic to each other in the Southern Cone and now share the acknowledgment that the commitment of joint security and defense policies in the region is essential to the maintenance of democratic order, stability, and rule of law. All of these are vital components to free trade and economic integration.<sup>48</sup> Francisco Rojas Aravena has described this increased cooperation as a "thick network of contacts and declarations among professionals in the military institutions that has led to a series of concrete measures designed to establish the framework of understanding that mitigates the perception of immediate threat and prevents possible elements of surprise."<sup>49</sup>

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<sup>47</sup> Pion-Berlin, "Will Soldiers Follow?," 53.

<sup>48</sup> Monica Hirst, "Mercosur's Complex Political Agenda" in Riordan Riott, ed., Mercosur: Regional Integration, World Markets (Boulder: Lynne Rienner Publishers, 1999), 41.

<sup>49</sup> Franciso Rojas Aravena, "Confidence Building Measures and Strategic Balance: A Step Toward Expansion and Stability," in Josehph S. Tulchin and Ralph Espach, eds., Strategic Balance and Confidence Building Measures in the Americas (Stanford: Stanford University Press, 1999), 121-138.

Through confidence building measures (CBMs), such as military visitations, informational exchanges, joint military exercises and maneuvers, and a military student exchange program, the Mercosur countries have the reduce the chances for surprises dramatically. Additionally, new security approaches to combat transnational threats are debated annually in strategy symposiums conducted by Mercosur senior military staffs. In fact, in 1997, Mercosur foreign ministers established the Permanent Commission for Coordination on Security to better address mutual security matters such as the increasing levels of drug traffickers, terrorists, and illegal aliens that negatively affect a country's stability and economy. In addition, more information, resources, and capital are being shared amongst the Mercosur countries to better contain these threats.<sup>50</sup>

With liberalized trade and economic integration, the transnational threats of drug trafficking, terrorism, and illegal migration cannot be solved in isolation anymore. To confront these challenges, Latin American countries have realized that they must overcome age-old rivalries and perceptions of each other and establish avenues of greater security cooperation in confronting these challenges. Realizing they have fewer state resources to combat these threats due to the transition to democracy, Mercosur leaders have cooperated greater in the fields of foreign, security, and defense policies.

#### **H. SPILLOVER EFFECTS IN MERCOSUR**

Similar to the European Union case study, we see that in Mercosur economic integration has had a spillover effect

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<sup>50</sup> Hirst, "Mercosur's Complex Political Agenda," 41.

in cooperative security. In order for this spillover to occur, the three conditions of no major dispute/conflict among the trading partners, democratic regimes in place, and strong desire by the hegemonic powers for greater cooperative security have been somewhat met. We will examine the condition of no major disputes among the members first.

The Mercosur countries have resolved all of their major conflicts and disputes among each other. The conflicts that may have pitted one country against another in the past have now been laid to rest.<sup>51</sup> For example, once the region's primary competitors for geopolitical domination, Brazil and Argentina have settled all of their border disputes and in former Brazilian President Cardoso's words, share a "common strategic vision" for the region.<sup>52</sup> Other Mercosur countries have followed Brazil and Argentina's lead and have also resolved all of their major disputes and conflicts. There are still disagreements over selective issues but nothing that cannot be resolved peacefully.

Second, all the Mercosur countries are democratic. There are no authoritarian regimes in the Southern Cone. Military regimes were succeeded by democratically elected authorities in Bolivia in 1982, Argentina in 1983, Brazil and Uruguay in 1985, Chile in 1988, and Paraguay in 1989.<sup>53</sup> Democratic governments have made the transition from a

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<sup>51</sup> Pion-Berlin, "Will Soldiers Follow," 52.

<sup>52</sup> Agencia Estado (News Agency of Brazil), "Brazil-Argentine Accord to Show Common Strategic Vision," Global Newsbank 27 April 1997.

<sup>53</sup> Blanca Antonini, "Scenarios for Multilateral Approaches to Political Transitions in the Western Hemisphere," in Tommie Sue Montgomery, Ed., Peacemaking and Democratization in the Western Hemisphere (Miami: North-South Center Press, 2000), 305.

protectionist model to a more liberalized trade policy and have improved diplomatic ties. This has led to greater interdependence and integration and has facilitated improved cooperative security among Mercosur members.

Third, even though Brazil has signed accords with their Mercosur partners to combat transnational threats, it sees no real need for an integrated security policy for either themselves or the rest of their trading partners. As opposed to Great Britain, Germany, and France who desire greater cooperation on security in the European Union, Brazil, the perceived hegemonic power, has no desire for a formal declaration of coordinated security policies. This has limited the amount of spillover in cooperative security in the Mercosur countries. Until Brazil's mindset is changed towards security, Mercosur will never experience the same amount of spillover as seen in the European Union.

#### **I. SUMMARY**

The factors of the increasing level of transnational threats, pressure from new actors for stability, and the weakening state role stemming from the free market environment and democratic reform leads to the process of spillover in political issues, such as enhanced regional security. However, for spillover to fully occur in cooperative security, the three conditions of no major conflict/dispute among the members, democratic governments in place, and strong desire by the hegemonic power(s) for greater cooperative security must be present. As seen through the European Union and Mercosur case studies, the absence of any of these conditions can prevent further spillover in political issues, such as greater cooperative

security. This can also prevent cooperation in proposed trading areas such as the FTAA and must be considered.

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#### IV. LATIN AMERICAN AND BRAZILIAN VIEWS ON REGIONAL INTEGRATION, COOPERATION, AND SECURITY

Economic integration, free trade, and democratic reform have led several Latin American countries to pursue economic and political models that are more integrated and interdependent with each other. Fundamental economic developments and political changes have pushed several Latin American countries toward greater trade liberalization, economic integration, and hemispheric interdependence. With the demise of military regimes in Latin America, the region has become less state-centered and participation by civil society and the consolidation of democratic institutions have grown steadily since the 1980s.<sup>54</sup> Successive multiparty elections have since been held in all countries in generally peaceful conditions, and transitions from one elected government to another, often belonging to a different political party, have taken place. In addition, many non-governmental groups and grassroots organizations have emerged and compete with traditional political parties in organizing societal support for issues of public interest and in influencing decisions by the state.<sup>55</sup>

This has led to Latin America's departure from its failed state-led, inward-oriented economic model to the convergence towards the region's economic liberalization model between respective states and foreign and domestic business and industry leaders. All of these factors have led Latin America to a much more diverse set of foreign and

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<sup>54</sup> Ibid., 305.

<sup>55</sup> Ibid., 305.

domestic actors representing new societal pressures and transnational alliances.<sup>56</sup> Economic integration, privatization and civilian rule have tended to expand the scope and role of these actors. With civilian rule, Latin American countries such as Argentina and Chile support closer political relations and greater cooperation on security through integration. David Pion-Berlin supports this integration theory:

These (Latin American) countries, which for decades had pursued protective, mercantilist policies toward one another, have now opted for economic openness, and have already reaped benefits in the form of greater increases in trade and investment from abroad...the increase in trade and investment, along with lowering inflation throughout the region, has given these countries renewed hope that they can profit from the economies of scale that integration brings.<sup>57</sup>

With this model of economic integration, many Latin American countries are optimistic of having spillover effects into other realms of policies, such as foreign, security, and defense issues. However, before any spillover effect happens in the security and defense fields, Brazil, the perceived hegemonic power in the Southern Cone, must be convinced that greater cooperation on security is a plan designed through regional economic integration by all Latin American countries and not just at the behest of U.S. priorities and desire.

#### **A. WHY BRAZIL?**

Riordan Roett, Thomas E. Skidmore, and Alfred C. Stepan have argued that if greater cooperation on security through economic integration is to become a reality in

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<sup>56</sup> Franko, *Toward a New Security Architecture*, 27-28.

<sup>57</sup> Pion-Berlin, "Will Soldiers Follow?," 43.

South America, Brazil must fully support and advocate this idea.<sup>58</sup> Through its economic power, geographical location, and its diplomatic role within South America and international agencies, Brazil is seen as the regional leader in South America by Latin America as well as the United States. Due to these reasons, Brazil has enormous influence and power in the region. We will examine Brazil's economic power first.

Political economists see Brazil major economic world power and is one of the leaders among the free market countries. With its economy more than twice as large as Russia and India and almost as large as China's, Brazil is seen as the major economic player in South America, with over half of the region's GDP and population. With purchasing power of over U.S. \$1 trillion in 2001, Brazil ranked fifth in the world in terms of GDP, only behind the United States, China, Japan, and Germany. In addition, Brazil is seen as the leader of Mercosur and all the strategic geopolitical and economic attributes it has.<sup>59</sup> With all of these resources, Brazil is seen by many as the regional leader in the newly democratized and trade liberalized environment of South America.

Second, due to its geographic position and size, Brazil has enormous influence in the region's foreign and political affairs. Brazil dominates South America as the largest country covering more than 8,511,965 sq kms, twice as large as the second largest country, Argentina. Brazil

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<sup>58</sup> Stephen Robert, "A Letter to the President and a Memorandum on U.S. Policy Toward Brazil," statement of an Independent Task Force sponsored by the Council on Foreign Relations, Council on Foreign Affairs, February 2001, 14.

<sup>59</sup> Joseph R. Nunez, A 21<sup>st</sup> Century Security Architecture for the Americas: Multilateral Cooperation, Liberal Peace, and Soft Power (Washington, DC: Strategic Studies Institute, 2002), 20.

also has a population of over 156 million people making it the second most populous nation in the Western Hemisphere only behind the United States. It shares its border with nine of the 11 South American nations and has realized that any event or action in one of these other countries, can and will have a spillover effect in its country. Brazil played a major leadership role in settling the January 1995 Ecuador-Peru border dispute by helping to end the fighting and assisting both countries in pursuing a peaceful resolution to the conflict.<sup>60</sup> Through all these factors, Brazil is seen by Latin America as the major diplomatic and political power in the region.

Third, Brazil has longed played a major diplomatic role in South American and international affairs. For example, it has provided several prominent scientists and doctors to UN-sponsored relief efforts in and out of South America. Brazil has also sent many skilled diplomats to a myriad of international organizations, such as the Organization of American States (OAS), World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank to ensure its and Latin American views are heard.<sup>61</sup> Through this participation, Brazil is seen by many as the key country in South America and one of the major players on the international scale. All of these reasons have led Stephen Robert to advocate,

If we want to tackle drug problems on a hemisphere-wide basis, Brazil is the key to getting that organized. If we want to sustain

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<sup>60</sup> David Scott Palmer, "Missed Opportunities and Misplaced Nationalism: Continuing Challenges to Multilateral Peacekeeping Efforts in the Peru-Ecuador Border Conflict," in Tommie Sue Montgomery, Ed., Peacemaking and Democratization in the Western Hemisphere (Miami: North-South Press, 2000), 253-254.

<sup>61</sup> Hirst, "Mercosur's Complex Political Agenda," 41.

democracy, it won't happen if democracy fails in Brazil...Brazil is the fulcrum...A strategic relationship with Brazil becomes a strategic relationship with South America.<sup>62</sup>

With Brazil's influence and geopolitical power in the region, greater cooperation on issues such as security and defense can improve only if Brazil fully supports and along with the rest of Latin America leads this idea of integration. Through its economic power, geographical location, and its diplomatic role within South America and the international world, Latin America as well as the United States sees Brazil as the regional leader in South American and the main component for greater cooperation on combating the transnational threats associated with free trade.

#### **B. BRAZIL'S VIEW OF ITSELF IN THE REGION**

With all of its massive geo-economic factors, the country's own elites and government leaders believe that Brazil is destined to have the distinctive leadership role in the Southern Cone.<sup>63</sup> In fact, Rubens Barbosa, the Brazilian Ambassador to the United States has stated,

Given its continental dimensions and the strength of its economy, Brazil should be seen as both the engine for growth and a magnet for foreign investment in South America...Brazil has a sense of national purpose and vision of a better future, which we are striving to reach sooner rather than later...Brazil is ready to take on the responsibilities that arise from its importance in the region.<sup>64</sup>

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<sup>62</sup> Robert, "A Letter to the President and a Memorandum on U.S. Policy Toward Brazil," 5.

<sup>63</sup> Nunez, *A 21<sup>st</sup> Century Security Architecture*, 21.

<sup>64</sup> Ambassador Rubens Barbosa, Ambassador of Brazil to the United States, "The United States and Brazil: Strategic Partners or Regional Competitors?" in *Thinking Brazil: A Newsletter of the Brazil at the Wilson Center Project*, Issue 2, August 2000, 6.

### C. BRAZIL'S VIEW ON GREATER REGIONAL COOPERATION

Brazil's transformation from military to civilian rule and its ever-increasing economic integration and liberalization have led the country to greater cooperation with its hemispheric neighbors in the Southern Cone. In fact, in August and September of 2000, Brazilian President Fernando Henrique Cardoso hosted the first ever South American Summit in which a wide variety of subjects were discussed. Twelve South American Heads of State attended this summit. Issues discussed were strengthening democracy, expanding trade, improving infrastructure integration, combating drug trafficking and related transnational threats, and sharing more information in respect to science and technology. As Barbosa has stated, "Organized crime, especially drug trafficking and related crimes, has become a transnational phenomenon that does not respect political or moral boundaries. To increase our likelihood of success in the fight against it, we must all strive to increase regional cooperation and coordination, including information sharing."<sup>65</sup>

Brazil believes that regional economic integration can lead to greater cooperation on security and defense issues. However, every country in South America must have a voice in this integration process. By working together in this process, Latin American countries can enhance their individual and collective abilities to attain their national goals. Brazil realizes that by working together more closely together on security issues, they and the rest of Latin America stand a better chance of achieving

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<sup>65</sup> Ibid., 7.

economic prosperity in the ever-increasing globalized economy.

#### **D. BRAZIL'S CURRENT FOREIGN POLICY**

Brazil's current foreign policy strategy is guided by two principles. First, Brazil prefers multilateralism trade arrangements on account of the diversity of their market to other parts of the world outside Latin America, namely the European Union. Second, the country prefers sub-regional integration-namely the continuance of Mercosur-before any perceived U.S.-led hemispheric trade agreement, such as the FTAA. Brazil has long been skeptical of any new U.S. initiative. Due to past actions and initiatives, Brazilians have the perception that the United States has not always been consistent in its approaches and has not always delivered on promises of greater engagement and consultation with Latin America on foreign policy issues. Brazil also has the fear that any U.S. led action will weaken Brazil's status as a regional hegemonic power.<sup>66</sup> According to Thomaz Guedes da Costa, Brazil, through hemispheric integration and increased cooperation, will resent the idea that it will be consigned to regional policing roles while "Big Brother" to the north takes on the larger and more vital task of overall hemispheric defense."<sup>67</sup> Brazil, seeing itself as the hegemonic power in the Southern Cone, does not want or desire U.S. influence in the area dominating and setting policy agendas for the region unilaterally which only serves in the best interest of the United States.

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<sup>66</sup> Maria Regina Soares de Lima, "Brazil's Alternative Vision," in Gordon Mace and Louis Belanger, eds., The Americas in Transition: The Contours of Regionalism (Boulder: Lynne Rienner Publishers, 1999), 133-151.

<sup>67</sup> Thomaz Guedes da Costa, MERCOSUR, "Seguridad Regional y Defensa Nacional en Brasil," Revista Seguridad Estrategica Regional Volume 4, September 1993, 8-10.

#### **E. BRAZIL'S VIEW ON THE FTAA AND THE NEGOTIATIONS**

Brazil favors the implementation of the FTAA but only if all Latin American countries, not just the United States acting unilaterally in setting its own agenda in establishing hemispheric economic integration, are involved and have a say in the negotiating process. Additionally, it favors a free trade arrangement that does not weaken their international bargaining position with other trading blocs. The Brazilian government wants to remain autonomous in establishing trade arrangements with other trading blocs and not be locked into a disadvantageous agreement that they could not escaped from; namely an asymmetric hemispheric integration position favorable to the United States and to all of its consequences.<sup>68</sup>

Brazil also favors a slower integration into the FTAA in order to build up its internal industrial sectors before exposing its industries to the vast FTAA-scale trade liberalization market. With this, Brazil would be able to complete its free market-oriented reforms, upgrade its own industrial base, and enhance its competitiveness in the FTAA. Brazilian business elites and industrial leaders favor this more deliberate approach in the FTAA negotiations because it would buy them the time these specific sectors need to able to build up and compete on equal terms with their counterparts, particularly those in the United States and Canada.<sup>69</sup> Additionally, this more deliberate pace in the FTAA negotiations would give them time to strengthen their individual trade agreements with

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<sup>68</sup> Pedro da Motta Veiga, "Brazil's Strategy for Trade Liberalization and Economic Integration in the Western Hemisphere," in Ana Julia Jatar and Sidney Weintraub, eds., Integrating the Hemisphere: Perspective from Latin America and the Caribbean (Washington, DC: Inter-American Dialogue, 1997), 205.

<sup>69</sup> Soares de Lima, "Brazil's Alternative Vision," 141.



other trading blocs such as the European Union and Andean Pact and possibly establish closer economic ties with other countries in the World Trade Organization, such as Russia and China.<sup>70</sup> Through this approach, Brazil would not be limited just to the FTAA. Rather, they would still be able to reap the economic benefits of worldwide trade liberalization.

Brazil favors negotiating the FTAA as a single undertaking using a building bloc methodology based on negotiations between existing trading blocs, such as Mercosur, the Andean Pact, and Caricom. This would give these smaller countries a much stronger and more solidified voice in negotiations with the United States on the FTAA.<sup>71</sup>

In comparison, the United States prefers country-to-country negotiations, which undoubtedly would favor them due to its enormously influential political will and its vast amount of resources and capital. Additionally, the United States favors a "most comprehensive" trade agreement that encompasses all issues, such as environmental and labor standards, market access, intellectual property rights, and government procurement, that would establish restrictive and concrete FTAA rules and standards along the same lines as NAFTA. This is contrary to Brazil's stance. They favor a trade agreement that excludes issues such as environmental and labor standards and prefers an agreement more along the lines of Mercosur, where there is a looser interpretation of the rules, procedures, and standards of trade between the countries. Brazil believes that a simple

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<sup>70</sup> Abreu Marcelo, "O Brasil e a Alca: Interesses e Alternativas," paper presented at the Ninth National Forum, Panel 5, Instituto de Aperfeiçoamento de Executivos (INAE), Rio de Janeiro, 21 May 1997.

<sup>71</sup> Soares de Lima, "Brazil's Alternative Vision," 140.

series of flexible principles and rules would be the best way for Latin American countries to establish a true liberalization of trade and integration. Each country in the customs union would bilaterally consult and compromise with each other to attain the most beneficial outcomes for both sides. This approach would not lock Latin American countries into following a set restrictive and standardized rules and regulations, largely perceived to be U.S.-centered, that could deny them into not reaping the maximum economic benefits available.

#### **F. BRAZIL'S VIEW ON REGIONAL SECURITY**

Currently, Brazil expresses no great desire for a hemispheric-wide security force for dealing with traditional external and internal threats. However, it does share the Argentine and Chilean vision of greater cooperation on regional security through integration with the rest of Latin America. With economic integration and an improved political relationship with Argentina, their former historical rival, former Brazilian President Cardoso has stated that both Brazil and Argentina now share a "common strategic vision" for their respective national goals.<sup>72</sup> With this mindset, many Brazilian troops, resources, and capital have been shifted from the southern border of the country to the northern border to confront and combat the ever-increasing transnational threats of drug-traffickers, terrorists, and illegal aliens associated with economic integration and free trade. To battle these threats, Brazil has established a new national security policy that assigns priority to better develop and protect the border areas, especially in the Amazon and Northeast

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<sup>72</sup> Agencia Estado, "Brazil-Argentina," 2.

regions of the country.<sup>73</sup> Through this, Brazil's military has been authorized to display a stronger role in confronting transnational threats. For example, the army is allowed to seek out and destroy cocaine fields and labs throughout all of the country. The navy may now intercept suspected drug boats on inland rivers and along the Brazilian coastline. Additionally, the Brazilian Air Force has been testing a new surveillance system called Sistema de Vigilancia da Amazonia (SIVAM), designed to monitor and track suspected drug traffickers, terrorists, and illegal aliens crossing into Brazil along the northern border. This system is being called the "eyes and ears" of the northern border.<sup>74</sup>

However, even with all of these new roles for the Brazilian military, the government realized that it could not fight the transnational threats in isolation anymore. With the free flow of people, goods, capital, and resources crossing geographical borders, Brazil, as well as the other Mercosur countries, have multilaterally entered into a series of security agreements to combat the transnational threats associated with economic integration and trade liberalization. In fact, Brazil has led the way into signing accords to create permanent consultative mechanisms on drug control and to establish a sub-commission to coordinate and combat antiterrorist activities along its tri-border area with Argentina and Paraguay.<sup>75</sup> With these

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<sup>73</sup> Foreign Broadcast Information Service-Latin America, "Brazil: Further Details on New National Defense Policy," 8 November 1996.

<sup>74</sup> Foreign Broadcast Information Service-Latin America, "Brazil: Cardoso Discusses Regional Issues," 28 September 28 1997.

<sup>75</sup> Clarin (Buenos Aires), "MERCOSUR crean un foro de consulta antidrogas," Ser en el 2000 Online Database, 23 April 1998 and "Plan de seguridad para la triple frontera," Ser en el 2000 Online Database, 01 June 1998.

accords fostering improved coordination and cooperation between each country's interior ministries, police, and security forces, stronger military to military ties and a regional security system can optimistically be predicted for the near future. However, due to its perceptions of the United States, Brazil will not establish any security alliance based solely on U.S.-led proposals or directives that they believe solely serves U.S. interests. Brazil will support a security arrangement based on principles and goals that are in the best interests of all countries in Latin America, not just the United States.<sup>76</sup> Through its economic integration with the other Mercosur countries and its leadership role within the region, Brazil will favor greater cooperation on security and defense issues that will ensure the stability and peace needed to continue their liberalization trade program and economic growth.

#### **G. SUMMARY**

The increasing level of transnational threats, pressure from new actors for stability, and the weakening state role stemming from the free market environment and democratic reform has led to a spillover effect in establishing more coordinated and joint security strategies for the problems of drug trafficking, illegal migration, and terrorism associated with free trade in Latin America. All the conditions for spillover have been somewhat met in the region.

However, in order for Latin America to achieve even greater cooperative security, as seen in the European Union, Brazil, the hegemonic power in the Southern Cone, must fulfill the third condition of spillover (desire by

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<sup>76</sup> Guedes da Costa, "MERCOSUR, seguridad regional y defensa nacional en Brasil," 8-10.

the regional hegemonic power for cooperative security). For example, Brazil currently sees no enemies that can threaten their stability. They see no real need for regional military alliances with states inside or outside the region. Even though Brazil's views and actions do support the other two necessary conditions (no major conflict/dispute among the trading partners and democratic governments in place) of spillover, until it meets the third condition, increased cooperative security within the region will be difficult to attain.

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## V. U.S. VIEWS TO THE FTAA AND COMPARISON WITH NAFTA

Many congressional leaders such as Charles Rangel (D-NY), David Bonior (D-MI), Sharrod Brown (D-OH), and Ted Strickland (D-OH), have questioned whether economic integration through the FTAA can lead to enhanced security in the Western Hemisphere.<sup>77</sup> Referring to NAFTA results, these FTAA opponents point to the fact that the United States and Mexico have not seen greater cooperation on security as witnessed in the European Union and Mercosur. These congressmen have also questioned the validity of the economic benefits envisioned by FTAA supporters. They fear that NAFTA figures have been greatly exaggerated and that several small and medium business will be driven out due to lower Latin American production, manufacture, and labor costs with the FTAA.<sup>78</sup>

NAFTA and FTAA supporters point to the relatively positive economic results of NAFTA in their argument for the FTAA. FTAA supporters, such as Robert Zoellick (U.S. Trade Representative) and Peter Allgeir (U.S. Trade Representative for the Western Hemisphere), point to the fact that NAFTA has produced significant U.S. economic gains and little of the costs alleged by its critics.<sup>79</sup> FTAA supporters envision even greater economic benefits with an expanded free trade area throughout the hemisphere. They feel that through integration and continued democratic

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<sup>77</sup> Sharrod Brown, "Opposing Fast Track," Statement before the Subcommittee on the Western Hemisphere of the Committee on International Relations House of Representatives, 05 December 2001, 10.

<sup>78</sup> Ibid., 10.

<sup>79</sup> Allgeir, "The Importance of the FTAA," 22.

reform in the region, greater cooperation on combating the transnational threats associated with free trade will materialize. This chapter will first examine some of the economic arguments NAFTA opponents had, which are similar to the arguments FTAA opponents have, more closely. It will argue that all three variables needed for spillover (no major dispute/conflict among the trading partners, democratic governments in place, and strong desire by regional hegemonic power(s) for greater security cooperation) need to be present in the FTAA if greater cooperative security in the Western Hemisphere is to be expected.

#### **A. COMPARING NAFTA ECONOMIC RESULTS WITH FTAA FEARS**

During the NAFTA negotiations, the significant U.S. opposition towards free trade came from a coalition of labor unions, small business owners, and environmentalists. Labor groups and small business owners feared that their specific industries and/or businesses stood to lose enormously economically in free trade competition with lower-cost Mexican producers, manufacturers and labor. Additionally, environmentalists argued that domestic companies were fleeing strict environmental regulations in the United States for the more lenient set of standards in Mexico. They argued that products grown and produced in Mexico were not as safe as those produced in the United States.<sup>80</sup>

These fears are similar to what FTAA opponents have about the proposed FTAA. FTAA opponents fear that Latin American imports would flood our markets and thus drive out US manufacturers. They fear that the FTAA will destroy

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<sup>80</sup> Frederick W. Mayer, Interpreting NAFTA: The Science and Art of Political Analysis (New York: Columbia University Press, 1998), 69-70.



many U.S. jobs. In addition, FTAA opponents fear that with Latin America's lower environmental standards, many U.S. companies will relocate their production plants to Latin America and drive out domestic companies who stay in the country.<sup>81</sup> However, many of the fears NAFTA opponents had about this trade agreement have been proven wrong. We will examine the effects that free trade has had on the respective economies first.

#### **B. NAFTA TRADE RESULTS**

In 1993, before NAFTA took effect, trade between the United States and Mexico totaled \$81 billion. In 2000, the trade between the two countries totaled \$247 billion dollars. U.S. exports to Mexico soared 167 percent between 1993 and 2000, while U.S. exports to countries outside of NAFTA grew roughly at a modest one-third of this rate. Today, with NAFTA, we export more to Mexico than to our European allies of Britain, France, Germany, and Italy combined who are all in the European Union. In addition, Mexico traditionally (since 1989) has been our third largest source of goods imports only behind Canada and Japan. Today, Mexico accounts for 14 percent of U.S. exports and 11 percent of U.S. imports. This table will highlight the effects NAFTA has had in merchandise trade.

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<sup>81</sup> Mary Burfisher, Sherman Robinson, and John Thierfelder, "The Impact of NAFTA on the United States," Journal of Economic Perspectives (November - Winter 2001), 125-144.

**U.S. Goods Trade with Mexico (in billions of U.S. dollars)**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>U.S. Exports</b>	41.6	50.8	46.3	56.8	71.4	78.8	86.9	111.3
<b>U.S. Imports</b>	39.9	49.5	62.1	74.3	85.9	94.6	109.7	135.9

Table 1. Effects of NAFTA in Merchandise Trade.  
From: U.S. Department of Commerce, 1993-1999.<sup>82</sup>

Two-way trade in agricultural products between the United States and Mexico has increased 87 percent since the passage of NAFTA, reaching a total of \$11.6 billion in 2000. This includes a variety of products such as red meats, processed fruits and vegetables, poultry, fresh fruits, rice, feeds, and fodder. This variety of commodities highlight the variety of benefits NAFTA has had on U.S. agriculture. In 2000, Mexico (with imports of \$6.5 billion), along with Canada (with imports of 7.6 billion) purchased over 25 percent of all U.S. agricultural exports. As once feared by NAFTA opponents, free trade did not destroy American agriculture. In fact, with NAFTA, these two countries helped sustain the economies of American farmers. This table will highlight the effects of NAFTA has had in agricultural trade.

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<sup>82</sup> Ambassador Allgeir, "The Importance of the Free Trade Area of the Americas (FTAA) to United States Foreign Policy", statement before the Subcommittee on the Western Hemisphere of the Committee on International Relations House of Representatives, 12 July 2001, 26.

**U.S. Agricultural Trade with Mexico (in billions of U.S. dollars)**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
<b>U.S. Exports</b>	3.5	4.5	3.5	5.4	5.1	6.1	5.6	6.5
<b>U.S. Imports</b>	2.7	2.9	3.8	3.7	4.0	4.6	4.8	5.1

Table 2. Effects of NAFTA in Agricultural Trade.  
From: U.S. Department of Commerce, 1993-1999.<sup>83</sup>

Finally, trade in services with Mexico has also increased since the passage of NAFTA. U.S. services exports to Mexico reached a record \$12.5 billion in 1999. These sectors include business, professional, technical, and travel. In contrast, U.S. services imports from Mexico slightly decreased in 1999 to \$9.8 billion, but were \$2.4 billion higher than 1993, before the implementation of NAFTA in 1994. Travel accounts for most of U.S. exports of services to Mexico and for most of U.S. imports of services from Mexico. This table will highlight the effects NAFTA has had in services trade since its passage.

**U.S. Services Trade with Mexico (in billions of U.S. dollars)**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<b>U.S. Exports.....</b>	10.5	11.3	8.7	9.4	10.8	11.7	12.5
<b>U.S. Imports.....</b>	7.4	7.8	7.9	8.9	9.8	9.9	9.8

Table 3. Effects of NAFTA in Services Trade Since its Passage.  
From: U.S. Department of Commerce, 1993-1999.<sup>84</sup>

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<sup>83</sup> Ibid., 26.

<sup>84</sup> Ibid., 27.

As it can be seen, NAFTA has not driven out U.S. manufacturers, as NAFTA opponents had once feared. Through these results, FTAA opponents should re-evaluate their fears of Latin American imports driving out U.S. manufacturers and producers. Potentially, U.S. businesses could reap even greater economic benefits with an even larger free trade area market, such as the FTAA.

A second economic fear that some NAFTA opponents had about this trade agreement was that it would lower U.S. standards of living because of the perceived trade deficit. This is also similar to what FTAA opponents fear about the proposed FTAA. However, this fear, too, has been proven wrong. According to economic analyst Rich Nadler, who has reviewed pre- and post-NAFTA growth rates in U.S. standards of living, the rate in personal wealth has more than tripled since NAFTA was implemented. By using a complex formula that measures inflation-adjusted gross domestic product (GDP), disposable personal income growth, and personal consumption, expenditures grew by an inflation-adjusted 1.76-percent annually between the years of 1994 and 1995 (post-NAFTA years), compared with 0.56 percent a year from 1990 to 1993 (pre-NAFTA years).<sup>85</sup> Through these results, FTAA opponents should re-examine their fears of trade deficits driving out US manufacturers and lowering standards of living. Potentially, U.S. manufacturers could reap even greater economic benefits with passage of the FTAA.

Finally, many NAFTA opponents feared that if NAFTA was implemented, U.S. manufacturers would be held to a

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<sup>85</sup> Rich Nadler, NAFTA: Jobs, Jobs, Jobs (Overland Park, Kansas: K. C. Jones Publishing Company, 1997), 34.

disadvantage because of the U.S.'s relatively high environmental and labor standards. This is also a fear that FTAA opponents have about the proposed FTAA. Many labor and environmental groups, as well as several members of Congress and the constituents they serve, fear that the FTAA would give Latin American countries potentially greater leverage in challenging the U.S.'s high environmental and labor standards and attracting more foreign investment towards them.<sup>86</sup> While this fear is still somewhat valid with the FTAA, U.S. manufacturers have not been hurt as bad economically as many NAFTA opponents feared that they would be hurt by NAFTA. Nevertheless, many labor and environmental groups are demanding from their respective Congressmen to ensure that the FTAA will mandate that Latin American countries raise their labor and environmental standards to an equivalent U.S. level.<sup>87</sup> In fact, Carolyn Cheney, Chairman of the American Sugar Alliance and Washington Representative of the Sugar Cane Growers Cooperative of Florida, has stated, "U.S. negotiators for the proposed FTAA should ensure that foreign standards rise to U.S. levels, rather than providing an advantage to developing countries with despicable labor and environmental standards."<sup>88</sup> Other groups support this position. Thea Lee, former assistant director for international economics at the public policy department of the American Federation of Labor and Congress

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<sup>86</sup> Juliet Eilperin, "Trade Bill Passes by One Vote; Bush Closer to Obtaining More Negotiating Power," Washington Post, 07 December 2001, 2A.

<sup>87</sup> Joseph Kahn, "House Supports Trade Authority Sought by Bush", New York Times, 07 December 2001, 3A.

<sup>88</sup> Carolyn Cheney, Washington Representative, Sugar Cane Growers Cooperative of Florida and Chairman of the American Sugar Alliance, "Free Trade Area of the Americas," statement before the Subcommittee on Trade of the Committee on Ways and Means House of Representatives, 22 July 1997, 42.

of Industrial Organizations (AFL-CIO) has stated in a statement before Congress,

Our current trade policy is lopsided: it protects copyrights, but not workers' rights. It takes care of international investors, but not the environment. We are opening markets abroad in financial services and agriculture, but we are not taking care of displaced workers at home. Let's get our priorities straight before launching into yet another round of the wrong kind of trade liberalization. The AFL-CIO will oppose fast track legislation that does not require enforceable labor and environmental standards in the core of any new trade agreement. Limiting fast track in this way sends the clearest message possible, both to our own negotiators and to our trading partners, that we are ready and willing to chart a new path in the global economy and that no country should be able to gain a competitive advantage by sacrificing its environment and its work force.<sup>89</sup>

The AFL-CIO seeks an economic and social integrated trade agreement that recognizes the vast economic disparities between the United States and the rest of its hemispheric neighbors. They also want a trade agreement that protects the interests of U.S. workers, manufacturers, and the environment.<sup>90</sup> This is an issue still valid for NAFTA and has a direct impact in the negotiations for the proposed FTAA.

#### **C. COMPARING SPILLOVER EFFECTS: WHY NAFTA HAS NOT IMPROVED COOPERATION ON SECURITY SO FAR**

In the European Union and Mercosur, all conditions of spillover are met. In comparison, NAFTA does not have all

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<sup>89</sup> Thea Lee, Assistant Director for International Economics, Public Policy Department of the American Federation of Labor and Congress of Industrial Organizations, "Fast Track, NAFTA, Mercosur, and Beyond: Does the Road Lead to a Future Free Trade of the Americas?," statement before the Subcommittee on International Economic Policy and Trade of the Commission on International Relations House of Representatives, 9 July 1997, 54.

<sup>90</sup> Ibid., 54.

the necessary conditions for spillover to occur. Due to the U.S.'s lack of desire for greater cooperative security with Mexico, NAFTA has not produced the same results in security as seen in the European Union and Mercosur. As mentioned, the desire for greater cooperation on security by the hegemonic power, the United States, is one of the three necessary conditions needed for spillover to occur. Even though the two other conditions (no major dispute/conflict among the trading partners and democratic governments in place) are present in NAFTA, without the U.S.'s desire for greater security, improved cooperative security between Mexico and the United States will not occur.

As seen with NAFTA, until the United States fully desires greater cooperation on security, the FTAA will not experience the same level of integration and interdependence as seen in the European Union and Mercosur. Greater cooperative security will not occur and the United States and Latin America will have to combat the ever-increasing transnational threats of drug trafficking, terrorism, and illegal migration, associated with free trade, without a formal joint and coordinated policy as seen in the European Union and Mercosur countries.

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## **VI. CONCLUSION**

### **A. SUMMARY OF FINDINGS**

Economic integration and free trade areas, such as the proposed FTAA, can have dramatic impacts, not only on the economies of the United States and Latin America, but on other political issues, such as security strategies.

As seen in the European Union and Mercosur, the increasing level of transnational threats, pressure from new actors for stability, and the weakening state role stemming from the free market environment and democratic reform have led to the process of spillover in establishing more coordinated joint strategies for the issues of drug trafficking, illegal migration, and terrorism associated with economic integration. However, without the spillover conditions of no major conflict/dispute among the trading partners, democratic governments in place, and strong desire by the hegemonic power(s) for cooperative security, greater cooperation on security will never happen. All of the countries in the European Union, and to a lesser extent in Mercosur, meet these conditions.

For the FTAA countries to experience this same level of cooperative security as in the European Union and Mercosur, all three conditions for spillover must be present. Currently, FTAA countries meet two of the three necessary variables. There are no major disputes/conflicts between the members of the trading area that can hinder cooperation. Additionally, all the countries in the FTAA have democratic governments. There are no authoritarian regimes in the proposed trading bloc. However, the third condition of greater cooperative security by the regional

hegemonic power(s) for spillover is not present in the FTAA. Both the United States and Brazil do not desire greater cooperation on security through the FTAA. Both of these countries only envision the FTAA as an economic advantage. Until the U.S. and Brazilian mindset is changed toward greater cooperative security, increased cooperation on security through the FTAA will not occur. All three conditions of spillover need to be present for FTAA countries to experience greater cooperative security as seen in the European Union and Mercosur.

Comparing these conditions to that in NAFTA, the United States, the hegemonic power, lacks the desire for greater cooperative security with Mexico. The United States sees NAFTA only as an economic agreement that produces economic benefits. Without the U.S.'s desire for greater cooperation on security, spillover will not occur and transnational threats will continue to be fought unilaterally and hinder future economic growth and democratic reform in the region.

#### **B. RECOMMENDATION FOR THE UNITED STATES**

Through the FTAA, the United States can generate increased opportunities for all Americans in the Western Hemisphere. With the FTAA, the United States can set trade policy that will lay the foundation for a post-Cold War world based on the cornerstones of integration, cooperation, democracy, and trade liberalization. In addition, by implementing the FTAA, the United States can set a course of stability, security, and peace for the entire hemisphere. Not just for a year or two, but for decades to come.

The United States must desire greater cooperative security through the FTAA. It must see the FTAA as not only economically beneficial but politically, as well. The United States also must convince Brazil to desire greater cooperative security through the FTAA. Without these two hegemonic powers' endorsement on increased cooperative security, the FTAA will not improve security relations in the region. The FTAA will be an agreement that leads to economic benefits only.

However, the United States must also exhibit patience and perseverance in dealing with its Latin American neighbors in the negotiations for the FTAA. The United States should not try to push economic integration and cooperative regional security on Latin America too fast. This would only lessen Latin America's security engagement and increase the feeling of mistrust of perceived U.S. intentions. Rather, the United States must enhance its hemispheric partners' confidence in and level of comfort with U.S. leadership. It must earn the trust of its regional partners, especially Brazil, through patient willingness to listen and work together. It is also imperative that the United States continues to encourage the development of regional state institutional capabilities, especially for the conversion from predominantly state-centered to free-market and private capital economies. In addition, the United States must also foster the deepening interactions of the new civil-military interactions promoted by democracy and economic integration. These long-term effects will take time, but as these groups begin to become more accustomed with each other, cooperation and compromise will improve. Through

patience and perseverance, the United States can foster the development of stronger relationships within security institutions in the region as well as the development of new relationships on a sub-regional and hemispheric basis.

It is the best interest of the United States, economically, politically, and socially, to implement the FTAA. This trade agreement could bring enormous benefits in not only economic means, but in the security world, too. Transnational issues pose a major threat to the stability and security of every country in the region. However, with the proposed FTAA and the regional economic integration it brings with it, greater security cooperation in the Western Hemisphere can be attained. This will lead to the security and stability that each country desires. For a region of countries that share common borders and economic futures, this is an opportunity that the United States and Latin America cannot pass up.

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